On-Bill Financing: A Consumer Perspective in Illinois

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Background on CUB

- Created in 1983 by the Illinois General Assembly
- Independent, nonprofit representing the interests of IOU ratepayers (residential and small business)
- Regulatory matters before the ICC, the General Assembly and in the courts
- Has saved customers more than $20 billion by challenging rate hikes and securing refunds
- 500+ outreach events per year, consumer and trade publications
- Consumer advocacy hotline: 1-800-669-5556
- www.citizensutilityboard.org
Public Act 96-0033

- Added Sections 16-111.7 (electric) and 19-140 (gas) to the Public Utilities Act
- Required 5 IOUs to create ICC-approved programs “allow utility customers to purchase cost-effective energy efficiency measures with no required initial upfront payment, and to pay the cost of those products and services over time on their utility bill.”
Eligible Customers

- Residential building owners of 4 or less units (homes, duplexes, condos)
- Multi-family residential building owners of 50 or less units (owner must be account holder, maximum monthly payment cannot exceed 50% of their average utility bill)
- Small commercial customers who own their buildings (peak demand less than 100-150 kW)

Image source: Envato Elements
Eligible Measures

- ICC-convened workshop process for stakeholder input
- Can include:
  - If projected savings will cover costs (product, installation and fees)
  - Products or services included in a Commission-approved EE or DR plan: 8-103 and 8-103B (electric), 8-104 (gas)
  - Post-assessment recommendations by a BPI-certified energy auditor (electric)
  - Rehabilitation work required to install an EE measure, cannot exceed 25% of project cost (electric)
Other Requirements

- "Maximum outstanding amount financed" (principal not yet repaid):
  - Originally $2.5 million for electric, can increase to $20 million
  - Gas utilities may impose $150,000 per site limit

- Electric utilities must coordinate with gas utilities in shared service territory “so that it is practical and feasible for the owner of a multifamily building to make a single application to access loans”

- Start-up, administrative, and evaluation costs can be socialized across residential and small commercial customer base (Rider EE for electric)

- Loan must be paid in full upon property title transfer or termination of service

- Customers can participate regardless of supplier
Evaluation

● Independent evaluation required 3 years after program launch
  ○ Interpreted as EPY4-6 and GPY1-3 (June 1, 2011 to May 31, 2014)

● Intended to analyze:
  ○ Effects of measures installed
  ○ Customer eligibility criteria
  ○ Should loan be tied to customer or meter?

● ICC would report summary and recommendations to the Governor and General Assembly
IL EE Loan Program

- Launched 1/1/20
- Energy Finance Solutions (EFS)
  - Financial Services Division of Slipstream
- Initial interest rate 5.99%
  - Semi-annual prospective rate adjustment not to change below 5% or exceed 9%
- Loan amounts from $500 to $20,000
- Loan repayment terms of 1, 3, 5, 7, 10 years
  - 7 and 10 only for $8K+

https://www.energyfinancesolutions.com/forhomeowners-illinois-loan-program
Eligible Customers

- Owner-occupied residential buildings of 4 or less units (homes, duplexes, condos, mobile homes)
Underwriting Criteria

- FICO score must be 640 or higher
- No bankruptcy, foreclosure, or repossession in previous 7 years
- No collections, judgements, tax liens in excess of $2,500
- Debt to Income Ratio less than 50%
- Utility account verification and bill requirements vary by utility
  - For Ameren, PGL, and NSG, “all parties listed on the utility bill must be borrowers”

Image source: Advia Credit Union
Eligible Measures

- All electric or natural gas energy efficiency measures set forth in utility’s approved EE (and for electric DR) plan (ComEd, NSG-PGL)
- EEPS - easiest way to ensure cost-effectiveness
Other Factors

- Joint offering between ComEd, Ameren Illinois, Nicor Gas, Peoples Gas, and North Shore Gas
- ComEd capped at $20 million loan limit
  - $1.5 million in outstanding loans admin by previous lender (12/1/19)
- NSG-PGL capped at $2.5 million loan limit
  - $634,000 outstanding loans admin by previous lender (11/2019)
- 61 authorized contractors (across service territories)
- Evaluation?
Barriers

- Building ownership
  - Rental units allowed, but building owner must be account holder as well as borrower
  - Limits eligible small businesses

- Not meter tied (limits SF renters)
  - 98% of interviewed participants said loan payoff before moving wasn’t a concern
  - This doesn’t factor in opinions of ineligible participants

- Maintenance/repair liability varies by contractor
Barriers

● Credit score
  ○ 50% rejection rate at 640 - Cadmus recommended that the credit score requirement could be lowered by 20-40 points and decrease the denial rate by up to 9 percentage points (51% to 42%)
  ○ Recommended a bill payment history pilot
  ○ Could drop denial rate to 38%
  ○ Example of NYSERDA program - uses credit score or bill payment history

● Interest rate
  ○ 87% of measures purchased through the program were the result of the OBF loan being available

● No cost recovery charge cap
Challenges

- Dollar cap on loans
- Can be difficult to find a lender
  - Joint program offers fewer admin costs, but limits lender availability
- Program inconsistency
- Contractor engagement
  - ¾ of participants found out about program through their contractor
  - Recommended presenting program in contractor training and expanded contractor recruitment
- Electric EE evaluation hasn’t caught up with AMI deployment
  - Cost-effectiveness based on TRM, not usage data
...so why OBF?

- Expanding EE access!
  - 87% of measures purchased through the program were the result of the OBF loan being available
  - Only 26% of furnaces - "reactionary purchases"

- Serving customers in the middle
  - IHWAP only extends to 200% FPL
  - Even with moderate income EE programs, there are still gaps in access

- Preferable to credit card financing
  - Average credit card APR 16.88% - 17.14% in 2019 (federal reserve)

- Low default rate: 0.16%
  - $12,151 in loan losses

- No disconnections
  - Though some accounts were at times disconnect-eligible
Transparency of Terms

- Overpayments are credited to the utility account
  - So customer cannot pay down a portion of the loan (unlike solar bridge loans)
- Utility requirements must be met at time of application and upon loan closing*
  - Otherwise customer must pay full loan amount to the contractor
- Full balance of loan due before moving
- Cancellation period (3 days in current offering)
  - 28% of approved customers withdrew their application (2015)
- ARES education (SB0651)

*PGL-NSG only requires time of application
Next Steps

- Utilities will collaborate with Slipstream to expand the OBF Program to multi-family and small business sectors
- Utilities also working on expanding measure eligibility
Thanks!

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